



0000005745

BEFORE THE ARIZONA CORPORATION COMMISSION
DOCKETED

JAN 11 2001

2 WILLIAM A. MUNDELL
Chairman
3 JIM IRVIN
Commissioner
4 MARC SPITZER
Commissioner

DOCKETED BY

dd

5 IN THE MATTER OF ARIZONA ELECTRIC)
6 POWER COOPERATIVE, INC., AND TRICO)
ELECTRIC COOPERATIVE, INC. - JOINT)
7 APPLICATION TO AMEND ELECTRIC)
SERVICE AGREEMENTS WITH PHELPS)
8 DODGE SIERRITA, INC.)

DOCKET NOS. E-01773A-00-0925
E-01461A-00-0925

DECISION NO. 63306ORDER

9 Open Meeting
January 9 and 10, 2001
10 Phoenix, Arizona

11 BY THE COMMISSION:

FINDINGS OF FACT

12
13 1. Arizona Electric Power Cooperative, Inc. ("AEPCO") and Trico Electric Cooperative,
14 Inc. ("Trico") are certificated to provide electric service as a public service corporations in the State
15 of Arizona.

16 2. On November 13, 2000, AEPCO and Trico filed a joint application to amend electric
17 service agreements with Phelps Dodge Sierrita, Inc. ("Sierrita"), formerly Cyprus Sierrita Corporation.
18 An abridged version of the amendment was filed with Docket Control. A complete version of the
19 amendment, containing proposed rate changes, was filed confidentially with Staff.

20 3. On December 14, 2000 (Decision No. 63246), the Commission suspended the
21 application for 60 days so that Staff could have sufficient time to evaluate the application.

22 4. The proposed *Amendment to PD Sierrita Agreements* would amend both a Purchase
23 Agreement through which Trico sells firm and interruptible power to Sierrita for its Twin Buttes
24 copper mining operations and a Contingent Well Service Agreement through which Trico serves part
25 of Sierrita's water pumping load at the Sierrita Tailings Area. The original Purchase Agreement was
26 approved by the Commission on June 13, 1994 (Decision No. 58662), amended on December 20,

27 ...

28 ...

1 1995 (Decision No. 59441), and amended on October 29, 1998 (Decision No. 61209). The
2 Contingent Well Service Agreement was approved by the Commission on December 20, 1995
3 (Decision No. 59441) and amended on October 29, 1998 (Decision No. 61209).

4 5. On July 27, 2000 (Decision No. 62758), within the decision in which the Commission
5 approved stranded costs for AEPCO, the Commission approved a settlement agreement between
6 Sierrita, AEPCO, and Trico. Among other terms of the settlement agreement, the parties agreed to
7 increase AEPCO's rates under the Purchase Agreement and the Contingent Well Service Agreement
8 effective as of January 1, 2001. The parties were to promptly prepare and file amendments reflecting
9 such increase for Commission approval.

10 6. The existing agreements are effective through December 31, 1999, but they can
11 continue after 1999 unless terminated by either party with six months notice. Through a letter
12 agreement (July 26, 1999) the parties agreed to not terminate the power supply agreements prior to
13 December 31, 2001. The proposed amendment would extend both agreements through December 31,
14 2001, but they would continue after 2001 unless terminated by either party with six months notice.

15 7. Staff has recommended approval of the proposed amendment. Staff has determined
16 that the revenue to be received from Sierrita under both of the agreements as amended would continue
17 to cover AEPCO's short-run marginal cost (calculated using Staff's production cost model, UPLAN)
18 plus the costs of future capacity needed to serve the customer.

19 8. Because Sierrita does not contribute to either AEPCO's or Trico's purchased power and
20 fuel adjustors, Staff has further recommended that the costs and revenues of these agreements with
21 Sierrita continue to be excluded from the purchased power and fuel adjustors of AEPCO and Trico,
22 but that the costs and revenues continue to be reported as a memo item on the purchased power and
23 fuel adjustor reports.

24 9. In addition, Staff has recommended that the Commission specify in its Order that
25 approval of the amendment at this time does not guarantee any future ratemaking treatment of the
26 agreements with Sierrita.

27 ...

28 ...

CONCLUSIONS OF LAW

1. AEPCO and Trico are Arizona public service corporations within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over AEPCO and Trico and over the subject matter of the application.

3. The Commission, having reviewed the application and Staff's Memorandum dated December 19, 2000, concludes that it is in the public interest to approve the amendment.

ORDER

THEREFORE, IT IS ORDERED that the proposed electric service amendment with Sierrita be and hereby is approved.

IT IS FURTHER ORDERED that the costs and revenues of these agreements with Sierrita continue to be excluded from the purchased power and fuel adjustors of AEPCO and Trico, and that the costs and revenues continue to be reported as a memo item on the purchased power and fuel adjustor reports.

IT IS FURTHER ORDERED that approval of the amendment at this time does not guarantee any future ratemaking treatment of the agreements with Sierrita.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN



COMMISSIONER



COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 11th day of January, 2001.


BRIAN C. McNEIL
Executive Secretary

DISSENT: _____

DRS:BEK:lhbm

Decision No. 63306

1 SERVICE LIST FOR: Arizona Electric Power Cooperative, Inc. and Trico Cooperative, Inc.
2 DOCKET NOS. E-01773A-00-0925 AND E-01461A-00-0925

3 Mr. Michael M. Grant
4 Gallagher & Kennedy, P.A.
5 2575 East Camelback Road
6 Phoenix, Arizona 85016-9225

7 Ms. Lyn Farmer
8 Chief Counsel
9 Arizona Corporation Commission
10 1200 West Washington
11 Phoenix, Arizona 85007

12 Ms. Deborah Scott
13 Director, Utilities Division
14 Arizona Corporation Commission
15 1200 West Washington
16 Phoenix, Arizona 85007